

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman

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Commissioner

KRISTIN K. MAYES
Commissioner

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Commissioner

GARY PIERCE
Commissioner

E-01461A-08-0075

IN THE MATTER OF THE APPLICATION OF
TRICO ELECTRIC COOPERATIVE, INC. FOR
APPROVAL TO FREEZE PARTICIPATION IN
TRICO'S RESIDENTIAL TIME OF USE TARIFF

Docket No. E-01461A-08-

APPLICATION

TRICO ELECTRIC COOPERATIVE, INC. ("Trico"), an Arizona nonprofit corporation, hereby submits this Application for approval by the Arizona Corporation Commission ("Commission") to freeze participation in its Residential Time of Use, Schedule RS-1 TOU ("TOU") tariff.

1 I. **Name and Address of Applicant and its Officers:**

2 Trico Electric Cooperative, Inc.
3 8600 West Tangerine Road
4 Post Office Box 930
Marana, Arizona 85653

5 President: George P. Davies
6 110 Calle Resplendor
Tucson, Arizona 85716

7 Secretary: Barbara Stockwell
8 P.O. Box 368
Arivaca, Arizona 85601

9 Agent responsible for general management:

10 Mark Schwartz
11 CEO/General Manager
12 Trico Electric Cooperative, Inc.
P.O. Box 930
Marana, Arizona 85653

13 II. **Nature of Application**

14 Trico is an Arizona nonprofit corporation and an electric public service corporation
15 which serves electricity in portions of Pima, Pinal and Santa Cruz Counties, Arizona,
16 pursuant to certificates of convenience and necessity issued by the Commission. Trico is
17 one of the fastest growing electric distribution cooperatives in the United States. Currently
18 Trico has approximately 36,000 residential customers receiving service with approximately
19 10% of those customers being served under Trico's TOU tariff. Trico has offered a TOU
20 tariff for the past 15 plus years with the idea of encouraging residential customers to shift
21 their electric usage to off-peak hours thereby promoting energy conservation, creating a
22 viable residential demand side management program and reducing power costs. Recent
23 data analyses indicate that the design for the existing TOU tariff does not effectively
24 encourage customers to use energy during off-peak hours, which results in no energy
25 conservation and the failure as a demand side management tool.
26

1 **III. Background**

2 Trico's current TOU tariff, as approved in the Commission's Decision No. 68990,
3 issued August 17, 2005, was based on a 2003 cost of service study. This TOU tariff design
4 includes on-peak summer hours of 1:00 pm – 9:00 pm, and exempted weekends and
5 holidays from the on-peak designation. Trico exempted weekends and holidays from on-
6 peak because customers had previously expressed concerns about being able to avoid the
7 on-peak hours when Trico's offered an experimental TOU tariff in 1992 with summer on-
8 peak hours of 11:00 am – 11:00 pm, seven days per week. Since the 1992 experimental
9 TOU tariff had poor participation and the residential customers expressed concerns that the
10 on-peak hours were difficult to avoid, Trico endeavored to create a new TOU tariff that
11 considered reduced on-peak hours.

12 Prior to 2003, Trico rarely experienced a coincident peak demand on weekends or
13 holidays. Accordingly, Trico did not believe eliminating these days as on-peak would have
14 a significant impact. However, since 2003 Trico has experienced 12 monthly coincident
15 peaks on a weekend or holiday with half of these occurring in 2006 and 2007. By the end
16 of 2005, Trico only had 215 customers receiving service under this tariff.

17 Trico's demand charges payable to its sole wholesale supplier, Arizona Electric
18 Power Cooperative, Inc. ("AEPCO"), are based on Trico's demand at the time of AEPCO's
19 peak demand ("coincident peak demand") of all of AEPCO's six Class A Members of
20 which Trico is one.

21 In 2006 and 2007, Trico began to experience a large increase in the existing
22 residential customers who requested to change their service to the TOU tariff. Trico
23 believes the following two items largely contributed to this sudden dramatic increase in
24 TOU tariff customers:

25 1. In late 2005, 2006 and 2007 Trico received three rate increases from AEPCO
26 and its transmission provider (Southwest Transmission Cooperative, Inc.), which increased

1 all customer bills dramatically. With the increased bills, customers considered the
2 available TOU as a solution to lower their electric costs especially given the \$0.04144 per
3 kWh off-peak tariff and small differential between the \$0.12144 kWh on-peak tariff and
4 the RS-1 standard tariff of \$0.09602.

5 2. The reduced on-peak summer hours and exempted weekends and holidays
6 from the on-peak designation, helped customers accept the TOU tariff as it appeared fairly
7 easy to meet the requirements.

8 With a larger customer sample and newly installed technical meters Trico now has
9 the necessary data to more thoroughly examine the TOU customer information and its
10 impacts on Trico's system.

11 IV. Discussion and Analysis

12 Recent TOU data analysis indicates that the tariff design for the existing TOU tariff
13 does not effectively encourage customers to use energy during off-peak hours;
14 consequentially this tariff provides a benefit to customers in the form of tariffs that are set
15 too low and does not result in a corresponding decrease in Trico's demand costs. Findings
16 from this analysis include:

17 1. TOU customers are able to save money compared to customers using the
18 standard residential tariff without changing energy usage to off-peak hours. In fact, TOU
19 customers can increase their on-peak energy usage by 33% and still save money. For
20 example, a residential customer taking service under the RS-1 tariff with an average usage
21 of 1,510 kWh (35% taken on-peak and 65% taken off-peak) at a rate of \$0.09602 per kWh,
22 would pay \$145 per month for kWh usage ($1,510 \times 0.09602 = \$145$ per month). In
23 contrast, a TOU customer with the same average usage as the RS-1 customer would have a
24 bill of \$105 per month resulting in a savings of \$40 per month under the existing TOU
25 tariff without shifting any of their on-peak energy to off-peak hours. [TOU tariff on-peak
26

1 rate of \$0.12144 per kWh and off-peak rate of \$0.04144 per kWh equates to $(1,510 \times 0.35$
2 $\times 0.12144) + (1,510 \times 0.65 \times 0.04144) = \105 per month.]

3 2. TOU customers contribute to Trico's peak demand. Trico's data analysis
4 indicates that although TOU customers use slightly less on-peak energy over the month,
5 they contribute just as much or more to Trico's monthly peak demand compared to a
6 standard residential tariff customer. Since Trico's power supplier bills Trico based on its
7 monthly coincident peak demand, the effect of the TOU customers not reducing usage
8 during the peak hour of the month results in little or no savings in power cost for Trico.

9 3. The existing residential customers moving to the TOU tariff without shifting
10 usage from on-peak to off-peak and paying lower rates compared to standard residential
11 tariff also results in a reduction of Trico's margins and ability to meet its financial
12 covenants required by the Commission and Trico's lenders. Additionally, this existing
13 TOU tariff design does not comport with the purposes of the TOU to promote energy
14 conservation, create a viable demand side management program and provide optimal
15 efficiency of electric utility facilities and resources.

16
17 **V. Proposed Freeze in Participation in TOU Tariff**

18 Trico requests that the Commission approve an immediate freeze in participation of
19 customers in the existing Trico TOU tariff, such that no new TOU customers can take
20 service under this tariff after the effective freeze date. The proposed participation freeze
21 will allow Trico time to analyze additional TOU data and design a new TOU tariff that
22 provides a meaningful price signal to customers to shift on-peak energy and demand to off-
23 peak hours.

24 In the next year, Trico plans to complete a new cost of service study. If it is
25 financially necessary, Trico will submit a formal rate case application including a revised
26 TOU tariff to the Commission. Additionally, or as part of the comprehensive rate case,

1 Trico expects to file with the Commission new TOU tariffs for other appropriate customer
2 classes by January 30, 2009, in accordance with the Commission Decision No. 69736.

3 VI. Approval of the Freeze in the Participation in the TOU tariff is in the Public
4 Interest

5 Based upon the foregoing, the freeze in the participation of Trico's TOU tariff as
6 provided herein is fair, just and reasonable to Trico's existing customers and to Trico.
7 Therefore, such freeze is in the Public Interest.

8 WHEREFORE, Trico requests that this Application be granted, and that the
9 Commission enter an order approving the freezing of participation in the TOU tariff.

10 RESPECTFULLY SUBMITTED this 6th day of February, 2008.

11 WATERFALL ECONOMIDIS CALDWELL
12 HANSHAW & VILLAMANA, P.C.

13 By Russell E. Jones
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2 document filed this 7 day of February,
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3 Docket Control
4 Arizona Corporation Commission
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5 Copy of the foregoing mailed this 6
6 day of February, 2008, to

7 Director
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13 By: Carol Watan

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